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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended January 31, 1992
Commission file number 3-96640 0-14027

THE SPORTING LIFE, INC.

Exact name of registrant as specified in its charter

Delaware
(State or other jurisdiction of
incorporation or organization)

54-1248305
(IRS Employer
Identification No.)

5302 Eisenhower Avenue
Alexandria, Virginia 22304
(Address of Principal Executive Offices)

(703) 823-1500
(Registrant's telephone number,
including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

The number of shares outstanding of the registrant's common stock as of March 13, 1992 was 964,246.

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THE SPORTING LIFE, INC.

DEBTOR IN POSSESSION

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended January 31,		Six months ended January 31,	
	1992	1991	1992	1991
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating revenues:				
Net merchandise sales	\$2,151,786	\$2,695,377	\$4,392,360	\$6,360,799
List rental income	110,503	171,018	264,391	403,828
Total Operating Revenues	2,262,289	2,866,395	4,656,751	6,764,627
Operating costs and expenses				
Costs of goods sold	1,074,068	1,541,848	2,029,174	3,202,037
Catalog production costs	942,482	994,497	1,906,126	2,262,596
Selling, general and administrative expenses	813,925	784,943	1,570,369	1,827,847
Total Operating Costs and Expenses	2,830,475	3,321,288	5,505,669	7,292,880
Income (loss) from operations	-568,186	-454,893	-848,918	-528,253
Other income (expense):				
Interest expense	-12,997	-86,038	-35,153	-105,456
Other income	0	4,352	679	6,373
Earnings before reorganization items	-581,183	-536,579	-883,392	-627,336
Reorganization items:				
Professional fees	-15,000	0	-30,000	0
Interest earned on accumulated cash resulting from Chapter 11 proceeding	3,662	0	6,662	0
	-11,338	0	-23,338	0
Net income (loss)	-592,521	-536,579	-906,730	-627,336
Earnings (loss) per common share	\$-0.61	\$-0.55	\$-0.94	\$-0.65
Weighted average number of shares outstanding	964,246	969,580	966,064	969,649

See accompanying notes.

THE SPORTING LIFE, INC.

(DEBTOR-IN-POSSESSION)

CONSOLIDATED BALANCE SHEETS

JANUARY 31, 1992 AND JULY 31, 1991

ASSETS	January 31, 1992	July 31, 1991
-----	-----	-----
	(unaudited)	(unaudited)
Current assets:		
Cash and cash equivalents	\$46,312	\$843,806
Accounts receivable-trade (net)	29,561	202,199
Accounts receivable-list rentals (net)	72,901	109,821
Total accounts receivable	102,462	312,020
Inventories (net)	1,635,779	1,662,450
Deferred catalog costs	783,094	428,173
Prepaid expenses	353,165	162,485
Total current assets	2,920,812	3,408,934
Property and equipment, at cost	1,004,100	1,002,419
Less: Accumulated depreciation and amortization	889,168	838,393
Net property and equipment	114,932	164,026
Other assets	47,407	47,339
	<u>\$3,083,151</u>	<u>\$3,620,299</u>

THE SPORTING LIFE, INC.

(DEBTOR-IN-POSSESSION)

CONSOLIDATED BALANCE SHEETS

JANUARY 31, 1992 AND JULY 31, 1991

	January 31, 1992 ----- (unaudited)	July 31, 1991 ----- (unaudited)
LIABILITIES AND SHAREHOLDERS' EQUITY -----		
Current liabilities:		
Accounts Payable	\$274,985	\$164,451
Customer deposits	32,864	71,034
Refunds payable	584,076	625,318
Accrued catalog prod costs	411,083	39,885
Other accrued liabilities	174,489	185,285
Total current liabilities	1,477,497	1,085,973
Estimated liabilities subject to Chapter 11 reorganization proceedings	2,859,313	2,859,313
Shareholders' equity:		
Common stock, par value \$.01 per share; 5,000,000 shares authorized, 1,002,246 shares issued and outstanding	10,022	10,022
Capital in excess of par value	3,102,572	3,113,862
Accumulated deficit	-4,261,577	-3,354,847
	-1,148,983	-230,963
Deferred compensation	-3,801	-8,450
Treasury stock, at cost	-100,875	-85,574
Total shareholders' equity	-1,253,659	-324,987
	<u>\$3,083,151</u>	<u>\$3,620,295</u>

THE SPORTING LIFE, INC.
(Debtor-in-Possession)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JANUARY 31, 1992 AND 1991

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	JANUARY 31, 1992 ----- (unaudited)	JANUARY 31, 1991 ----- (unaudited)
Cash flows from operating activities:		
Net income (loss)	\$-906,730	\$-627,336
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	50,775	130,497
Amortization of deferred compensation	6,558	-30,820
Adjustment of previously expensed compensation related to stock for non-employee directors upon forfeiture of shares	-28,500	
Provision for losses on accounts receivable	10,000	3,000
Provision for inventory obsolescence	-521,309	
Loss on disposal of property and equipment		
Changes in assets and liabilities:		
Accounts receivable	199,490	141,248
Inventories	547,980	-12,649
Deferred catalog costs	-354,921	-11,035
Prepaid expenses	-190,680	-66,273
Accounts payable	110,534	384,894
Accrued catalog production costs	371,198	31,442
Customer deposits	-38,170	-22,621
Refunds payable	-41,242	181,535
Accrued liabilities	-10,796	-37,792
	-----	-----
Net cash provided by (used in) operating activities	-795,813	64,090
	-----	-----
Cash flows from investing activities:		
Purchase of property and equipment	-1,681	-33,171
	-----	-----
Net cash (used in) investing activities	\$-797,494	\$30,919

THE SPORTING LIFE, INC.
(Debtor-in-Possession)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JANUARY 31, 1992 AND 1991

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	JANUARY 31, 1992 ----- (unaudited)	JANUARY 31, 1991 ----- (unaudited)
Cash flows from financing activities:		
Net borrowings (repayments) under line of credit agreement	0	292,743
Purchase of Treasury Stock	0	0
Principal payments of long-term obligations	0	-36,615
	-----	-----
Net cash provided by (used in) financing activities	0	256,128
Net increase (decrease) in cash and cash equivalents	-797,494	287,047
Cash and cash equivalents at beginning of year	843,806	290,093
Cash and cash equivalents at end of period	\$46,312	\$577,140
	-----	-----
Supplemental disclosure of cash flow information:		
Reorganization costs paid during the year	7,291	0
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Reorganization revenue received during the year	6,662	0
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THE SPORTING LIFE, INC.
(Debtor-In-Possession)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - The Balance Sheet of The Sporting Life, Inc. at January 31, 1992 and July 31, 1991, the Statement of Operations for the three months and six months ended January 31, 1992 and 1991, and the Condensed Statement of Cash Flows for the six months ended January 31, 1992 and 1991, in the opinion of management, include all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the financial position, the results of operations and cash flows at and for the periods indicated. Information with respect to all periods ended January 31, 1992 and 1991 is unaudited.

NOTE 2 - The Company filed a petition for reorganization under Chapter 11 of the United States Bankruptcy Code ("Chapter 11") on February 7, 1991. The Company is presently operating its business as a debtor-in-possession under Chapter 11 and is subject to the jurisdiction of the Bankruptcy Court. In a Chapter 11 case, substantially all liabilities as of the date of the filing of the petition for reorganization are subject to settlement under a plan of reorganization to be voted upon by the Company's impaired creditors and confirmed by the Bankruptcy Court. The Company continues to manage its affairs and operate its business as a debtor-in-possession, subject to the supervision of the Bankruptcy Court while the case is pending.

The principal categories of claims reclassified in the Consolidated Balance Sheets and included in "Estimated liabilities subject to Chapter 11 reorganization proceedings" are identified below. These amounts may be subject to future adjustments depending on Bankruptcy Court actions and further developments with respect to disputed claims. The ultimate amount of, and settlement terms for, such liabilities are subject to a plan of reorganization, and accordingly, are not presently determinable.

Trade payables, merchandise	\$1,254,067
Trade payables, non-merchandise	217,353
Catalog production liabilities	596,519
Demand note payable (secured)	742,743
Long-term debt (secured)	<u>48,611</u>
	\$2,859,294

PART I. FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Net merchandise sales for the six months ended January 31, 1992 were \$4,392,360, down 30.9%, compared to \$6,360,799 for the same period in 1991. In an attempt to improve catalog response the Company revised its marketing strategy early in the fiscal year, eliminating one of its two catalog titles and mailing both a winter and a holiday catalog. This resulted in 30.6% lower circulation for the six months as compared to the same period last year. Poor response to the Fall 1991 and Spring 1992 catalogs was partially offset by greater clearance sales during the six months ended January 31, 1992.

Net merchandise sales for the second quarter decreased 20.2% from \$2,695,377 to \$2,151,786 for the quarter ended January 31, 1992, principally due to 12.8% lower circulation and poor response to the Spring 1992 catalog.

List rental income decreased 34.5%, from \$403,828 to \$264,391 for the six months ended January 31, 1992 as compared to the same period last year and decreased 35.4%, from \$171,018 to \$110,503 for the second quarter in 1992 as compared to the same period in 1991. List rental income decreased due to other catalogers concentrating on their house files and therefore renting fewer names.

Cost of goods sold as a percentage of net merchandise sales was 46.2% for the six months ended January 31, 1992 as compared to 50.3% for the same period last year, and was 49.9% for the three months ended January 31, 1992 compared to 57.2% for the same period last year. The decrease is principally due to a reduction in the inventory reserve for inventory overstocks due to increased clearance sales, as well as higher gross margins on the fall and winter merchandise.

Catalog production costs decreased 15.8%, from \$2,262,996 for the six months ended January 31, 1991 to \$1,906,126 for the six months ended January 31, 1992 and decreased 5.2% from \$994,497 to \$942,482 for the second quarter ended January 31, 1992 as compared to the same period in 1991. While catalog circulation was significantly reduced, the savings effected by such reduced mailings were offset by additional postage costs from mailing the fall, winter, holiday and spring catalogs and by an increase in the amount expended for creative design.

Selling, general and administrative (SG&A) expenses as a percentage of net sales increased to 35.8% from 28.7% for the six months ended January 31, 1992 and 1991, respectively, and increased to 37.8% from 29.1% for the second quarter ended January 31, 1992 and 1991, respectively, principally due to fixed costs associated with lower net sales, an increase in shipping rates, and higher personnel costs due to changes in management.

Interest expense decreased from \$105,456 to \$35,153 for the six months ended January 31, 1992 and decreased from \$86,038 to \$12,997 for the quarter ended January 31, 1992 principally due to interest payments during the second quarter of 1991 on a special payment plan made with the company's vendors in November 1990. The payment plan was terminated when the Company filed for bankruptcy.

As a result of the factors discussed above, the Company's net loss increased to \$906,730 from \$627,336 for the six months ended January 31, 1992 and increased to \$592,521 from \$536,579 for the three months ended January 31, 1992.

LIQUIDITY AND CAPITAL RESOURCES

On February 7, 1991, the Company filed for protection under Chapter 11 of the Federal Bankruptcy Law. (See Note 2 to the financial statements). The Company's creditors have formed a committee which has retained counsel to deal with the Company and its counsel. A preliminary meeting between representatives of the Company and representatives of the Creditors' committee has been held, but no arrangements have been proposed with respect to the Company's outstanding debts. The Company has been unable to present a plan of reorganization due to its inability, to date, to attract additional financing or investment. The Company has suspended its plans to produce catalogs on a monthly basis until such time as additional financing or investment becomes available.

The period within which the Company had the sole right to propose such a plan has expired. Thus, any third party can now present such a plan which could include acquiring all of the business of The Company with little if any payment to the Company's shareholders. Any arrangements with the Company's creditors and its shareholders, if they are adversely affected, must be approved by the Bankruptcy Court.

Working capital was approximately \$1,443,315 at January 31, 1992 compared to \$711,116 at January 31, 1991. Not included in working capital at January 31, 1992 is \$2,859,000 of estimated liabilities subject to Chapter 11 reorganization proceedings.

The Company's liquidity is provided solely by internally generated funds from its mail order sales and from the orderly reduction of its inventory overstocks. The Company has held, and is continuing to hold, a series of warehouse sales, and has mailed a Final Edition catalog, its inventory clearance catalog, for this purpose. The Company's credit relations with its merchandise suppliers have been adversely affected by the bankruptcy filing. While the Company has been able to acquire merchandise for its catalogs, it has been required to do so on a C.O.D. or payment in advance basis. The Company has experienced difficulty in obtaining additional merchandise to fill orders where demand has been greater than anticipated.

To some extent, the Company has been able to reduce the impact of its lack of credit through the use of a credit arrangement with M.L. Rothschild ("Rothschild"), a purchase order guarantor. Under that arrangement, the Company can obtain purchase order guarantees of up to \$400,000 for merchandise purchases through Rothschild. Rothschild issues its own purchase orders to the Company's vendors and guarantees payment to the vendors. In general, the Company agrees to pay the vendor's invoice over a period of 45 days and to pay a fee to Rothschild of 4.5% of the invoice amount. The outstanding purchases under the agreement are secured by an interest in the Company's inventory and a subordinated interest in its accounts receivable and property and equipment. At January 31, 1992, the Company had \$165,000 of outstanding purchase orders with Rothschild.

The Company's demand note with First American Bank (the Bank) totalling \$742,743 is secured by the Company's mailing lists, accounts receivable and fixed assets. The Bankruptcy Court has allowed the Company to use collateralized funds for working capital purposes. The court's order has expired, but remains intact by mutual agreement between the Bank and the Company on an interim basis. The Company remains obligated to the Bank for monthly interest on the demand note.

The Company does not have a post-petition line-of-credit and most likely will not be able to secure such a line of credit unless the Company emerges from Chapter 11. Although the Company has been able to meet its current operating needs through internally generated funds and working capital, the continued operations of the Company depend upon its ability to secure financing and operate profitably. The Company has been exploring alternative sources of financing or investment in order to provide the necessary cash flow should the need arise.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company filed for protection under Chapter 11 of the Bankruptcy Law of the United States. The filing was made on February 7, 1991 in the United States District Court for the Eastern District of Virginia, Alexandria Division, Case No. 91-10470-AB. The Company is seeking to reorganize and emerge as a going concern. No plan of reorganization has been presented to the creditors or the court.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits - none
- (b) Reports on Form 8-K:

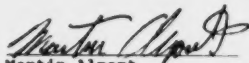
The Company filed Form 8-K dated February 7, 1992 regarding the deletion of its securities from the Nasdaq Stock Market and the listing of its securities in the "pink sheets."

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

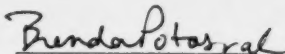
The Sporting Life, Inc.
Registrant

Date: March 16, 1992



Martin Alpert
President and CEO

Date: March 16, 1992



Brenda Potoanek
Controller